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SUBJECT: Deputy Secretary Negroponte's October 22, 2007
conversation with Iraqi Minister of Finance Bayan Jabr

[1](#)1. (U) Classified by: NEA DAS LAWRENCE E. BUTLER FOR
REASONS 1.4 (B) AND (D)

[1](#)2. (U) October 22, 2007; 3 P.M; Washington, D.C.

[1](#)3. (SBU) Participants:

U.S.
The Deputy Secretary
Under Secretary Reuben Jeffery, E
Amb. Lawrence Butler, NEA
Aaron Jost, D
Andrea Tomaszewicz (NEA Notetaker)

Iraq
Bayan Jabr, Minister of Finance
Karim al-Musawi, Islamic Supreme Council of Iraq
Representative

[1](#)4. (C) SUMMARY: Iraqi Finance Minister Bayan Jabr
flagged positive economic signs while admitting to budget
challenges in his meeting with Deputy Secretary
Negroponte. The Finance Minister also emphasized the need
to bring Sunnis into the political process and not risk
reconciliation efforts by passing the hydrocarbons law
package without the Sunni community's support. Jabr also
promised to disburse the Iraqi Government's \$25M pledge to
neighboring states for refugee assistance efforts as soon
as possible. END SUMMARY.

Positive Economic Signs,

[1](#)5. (C) Jabr proudly reported that Iraq had successfully
completed its first IMF Stand-By Arrangement (SBA) -- a
set of economic reforms -- and was discussing the next SBA
with the Fund. Although Jabr stated that the GOI had
implemented SBA-required fuel price increases twice in the
past year, with positive results, he was pleased that the
IMF did not include such a stipulation in this follow-on
SBA. He said that the 2007 fuel price increases had
closed the gap between official fuel prices and the black
market and led to a decrease in fuel smuggling across
Iraqi borders.

[1](#)6. (C) The Finance Minister highlighted other positive
trends with the Iraqi economy: six-percent economic
growth, appreciation of the dinar, reduction of inflation,
and passage of the pension law. He also noted he was
heading to Rome after his U.S. trip to finalize a \$600M
soft loan package from the Italians for workers, farmers,
and small industries. While in Italy, Jabr said he may
meet with Putin's advisor about Russian debt reduction,
underscoring his intent to keep debt forgiveness separate

from investment, despite Moscow's attempts to link the two.

Yet Fiscal Challenges Remain,

¶7. (C) Jabr confirmed that budget execution was improving but noted "it's still my problem." Highlighting the difference a few years can make, Jabr contrasted the prior atmosphere in which ministries were afraid to spend money without the Finance Ministry's permission with the current environment in which the Finance Ministry is pushing spending and budget execution. When Jabr suggested the USG, in addition to the GOI, should spend some of its money on big construction items -- "no more tanks, but hospitals" -- the Deputy Secretary said the United States preferred to create the conditions for Iraq to take advantage of its own resources.

¶8. (C) Jabr sent the 2008 Iraqi budget, with \$10B for investment and \$8B for security, to the Cabinet before coming to the United States. Increasing the security budget to \$10B will directly affect investment, he argued, adding he would look into what could be done when he returned to Iraq. The Deputy Secretary countered that without security, it would be difficult to achieve anything else.

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As Well As the Need to Integrate Sunnis
and Move Forward Politically

¶9. (C) Jabr asserted that the problem with the package of oil laws is political, not technical. If Iraq goes forward now with only Shia and Kurdish support, it would have a deleterious effect on reconciliation efforts, he said. In response to the Deputy Secretary's suggestion to seek out Sunnis to publicly support the laws, Jabr thought it a good one. He added that he thinks Deputy President Tariq al-Hashimi can support the law (Note: this appeared to mean that al-Hashimi did not have substantive disagreement, regardless of political differences). Jabr noted that "ex-ministers" were unhelpfully holding conferences in Amman against the hydrocarbons laws. Jabr also said improvements in the security situation in predominantly Sunni areas will only be temporary unless the GOI integrates tribal fighters into the national political dialogue. He highlighted as a problem the large divide between the Iraqi Islamic Party and the tribes.

¶10. (C) Jabr proposed, briefly, a "special, small conference" of Iraqi leaders and U.S. representative to discuss the way forward now that al-Qaida had been degraded.

And Take Care of the Refugees

¶11. (C) In response to the Deputy Secretary's query about the GOI's monetary pledge at UNHCR's Iraqi refugee conference last April, Jabr stated the funds were ready and he would disburse them on his return to Baghdad. The Council of Ministers (COM) allocated approximately \$16M for Syria, \$8M for Jordan, and \$2-3M for Lebanon (NOTE: more than the \$25M pledged, if accurate). He added the COM agreed to give the money directly to the foreign governments or the International Committee of the Red Cross (COMMENT: as opposed to giving the money to UNHCR, as we recommended). He emphasized that no Iraqi institution, or the UN, would receive any of the funds.
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